MEDITCARE’S 2006 TAKEOVER OF PRESCRIPTION DRUG COVERAGE FOR DUAL ELIGIBLES IN NURSING FACILITIES: ISSUES AND CONCERNS

Jim Verdier
Mathematica Policy Research, Inc.

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Introduction and Overview

- Medicaid Rx drug costs for dual eligibles account for over half of all Medicaid Rx drug costs.
- Duals in nursing facilities account for one-fourth of all Rx drug costs for duals.
- Medicare takes over responsibility for drugs for duals in 2006 (with federal clawback of 90% of state savings).
- What entities will provide Rx drugs to Medicaid nursing facility residents?
- What impact will this takeover have on residents, nursing facilities, pharmacies, and Medicaid agencies?
State-by-State Data on Medicaid Rx
Drug Use and Costs in 1999

- Detailed state-by-state data on Medicaid Rx utilization and costs will be available shortly from CMS
  - Prepared by Mathematica, using 1999 Medicaid Analytic Extract (MAX) files; CMS is now preparing 2000 and 2001 MAX files
  - Fee-for-service only (managed care excluded)
  - Tables show use and costs by age, sex, race, eligibility category
  - Tables show costs and number of prescriptions per benefit month, brand-name vs. generic, type of drug, top ten drugs
  - Also includes national state-by-state comparison tables; graphs showing highlights are in the works
State-by-State Data on Medicaid Rx Drug Use and Costs in 1999 (Cont.)

- **Dual eligibles**
  - Fifteen tables for each state and U.S. focus just on duals
  - Five tables show annual Rx expenditures for duals in $500 increments ($0, $1 to $500, $501 to $1,000)
    - Show # and % of duals in each increment and amount and % of total Rx costs
    - Can be used by actuaries for Medicare Part D bidders to calculate PMPM costs for duals
  - Several tables focus on nursing facility Rx drug use by duals and non-duals
    - Antipsychotics and antidepressants are top two drug groups in terms of overall costs
    - Rx $s per benefit month for NF duals vary by state, but not dramatically (apart from states with data problems)
Medicare Takeover of Rx Drugs for Duals in 2006

- Starting in January, 2006, Medicaid will not be able to fund any Rx drug coverage for duals with federal money.

- Rx drug coverage for duals will be provided by Medicare Advantage (MA) MCOs and yet-to-be created private prescription drug plans (PDPs).

- What kinds of entities will form PDPs?
  - Medicare discount card sponsors provide early indications
  - PBMs, insurance companies, pharmacies.
How Will Medicaid Nursing Facility Dual Eligibles Be Served?

- Medicaid dual-eligible nursing facility (NF) residents use an average of 4.9 drugs per month vs. 3.3 for all duals and 1.5 for all Medicaid beneficiaries.

- In almost all states, Medicaid now pays pharmacies directly for NF drugs. Not in NF per-diem.

- How will this be handled in 2006? PDPs or Medicare MCOs will take over Medicaid agency role.
What Experience Do Medicare MCOs And PDPs Have With NFs?

- A small number of Medicare MCOs (Evercare, for example) now serve beneficiaries in NFs
  - MMA authorizes “specialized MA plans for special needs individuals,” including those in NFs
    ♦ P.L. 108-173, Sec. 1859(b)(6)

- CMS has approved three “special endorsement” Medicare discount card sponsors to serve beneficiaries in NFs
  - PBM Plus (Omnicare), Long Term Care Pharmacy Alliance (ACS State Healthcare), and Computer Sciences Corporation
  - Incipient LTC PDPs?
  - Made up mainly of large specialized pharmacies that serve NFs
Impact on Medicaid NF Residents

- Will they have to choose among Medicare drug plans?
  - If they need help with the choice, where will they get it?
- What if a drug they need is not included in the formulary of PDPs and MA MCOs that serve the NF?
- Who will determine if the drugs they take are needed and consistent with other parts of their NF care plan?
- September 2004 Kaiser report summarizes LTC beneficiary access issues
  - http://www.kff.org/medicare/7161.cfm
Impact on Nursing Facilities

- Rx drugs in NFs are currently provided mainly by large specialized consultant pharmacies
  - May be owned by NFs
  - Usually provide all drugs to a specific NF

- What will happen when new entities provide competition and choice?
  - Confusion? Lower prices? Greater transparency?

- How will NFs keep track of which drugs each resident is receiving?
  - Will each PDP and MA MCO provide separate reports to the NF?
Impact on Pharmacies

- May face competition from other entities
  - PDPs, “specialized” MA MCOs, PBMs

- Large multi-state consultant pharmacy chains may form their own PDPs
  - These chains form the core of the three “special endorsement” Medicare LTC discount card sponsors

- Competition may disrupt long-settled arrangements between NFs and consultant pharmacies
  - A plus or a minus? For whom?
Impact on State Medicaid Agencies

- Medicaid NF residents may look to agency for help in choosing a Medicare drug plan.

- Agency will probably no longer have access to data on Rx drugs used by Medicaid NF residents.
  - Monitoring and coordinating care of residents may be more difficult.

- Medicaid NF residents and NFs may look to Medicaid for help in covering drugs Medicare does not cover.

- Managed LTC for duals will be harder, unless more specialized Medicare LTC MCOs develop and partner with Medicaid MCOs.
Conclusion

- In the short term, Medicare takeover of Rx drugs for duals in NFs will create confusion and problems for states, with almost no fiscal relief because of the clawback.

- In the longer term, the Medicare takeover may create opportunities for better management of the Rx drug benefit in NFs, more openness in the relationships between NFs and drug suppliers, and more opportunities for managed LTC for duals.

- Many of these issues are covered in a May 2004 paper by Scott Stewart, a student at Princeton’s Woodrow Wilson School.
  - If you’d like a copy, send me an e-mail (jverdier@mathematica-mpr.com).